



MAKING ROOM FOR MORE MARGIN

Four ways data drives waste out of feed mill systems and processes.

Companies that want to maintain competitiveness and grow their businesses often will focus on increasing revenues or sales. The belief that more of either will strengthen a bottom line has merit, especially in an environment of low capital costs.

For feed mills, however, growing revenue and increasing sales is challenging. New customers aren't easy to find. Prices can't simply be increased, and production costs tied to volatile commodity markets create ongoing price uncertainty. Besides, more revenue or sales doesn't automatically equate to a stronger bottom line.

Simply cutting costs isn't a complete answer. One risk is that corners get cut in the process and quality suffers. Cost cutting can also negatively affect employee morale and productivity.

A better approach may be to focus on strategies that incorporate technology to increase margins. Mills that invest in digital technology can remove waste and cut costs by creating efficiencies across all mill functions.

Efficient management of operational data can reveal game-changing insights about day-to-day operations. Mills gain greater control over purchasing, costs, inventory and ordering. Better decisions get made faster, resulting in improved operational efficiencies and reduced costs.

Let's look at four ways mills are wielding digital data to squeeze waste out of their operations and make more room for margin.

SMART PURCHASING

Elevate the level of confidence you have in your inbound ingredients by increasing sampling effectiveness. Digital technology helps to make this possible by automating the sampling process, replacing what many consider a tedious manual task. The ease and speed afforded by automation leads more businesses to conduct regular and timely sampling.

Additionally, digital technology allows easy capture and storage of testing recommendations that can later be used to determine whether or not a particular supplier and ingredient combination needs to be tested.

Imagine having to evaluate paper copies of individual sample results or thousands of rows in a spreadsheet. Manual processes dissuade businesses from taking steps that can optimize their purchasing.

With digital technology allowing for better sampling, you can begin to quickly drill down into details:

- Track ingredients according to supplier prior to purchase.
- Identify suppliers that provide the best ingredients at the best price.
- Identify ingredients that don't meet specification, and file claims to reduce your cost of goods sold.

When you have the right information at the right time, you can make smarter purchasing decisions that result not only in cost savings but also in fewer quality issues.

A SMALL DECREASE IN MILL OPERATION COSTS AND INGREDIENT COSTS CAN RESULT IN A SIGNIFICANT INCREASE IN MARGIN.



INVENTORY MANAGEMENT AND FORECASTING

If asked to produce an accurate report of ingredients on hand at any given time, could you?
Are you able to accurately forecast future needs?

Most mills have a good idea of their inventory, and the more time they have to investigate it, the more accurate their inventory count. But speed and accuracy together form a potent combination. Mills that quickly and accurately gain deep visibility into inventory status can increase inventory efficiencies and lower risks.

Accurate inventory management gives you clear visibility into what ingredients you have on hand at any point in time. With the right processes in place, mills can reconcile inventory shown in their systems with their actual count. This enables identification of any shrink within the facility. It also helps reveal otherwise unforeseen run-outs of ingredients, preventing spot purchases at prices that, depending on market activity, could be materially higher.

Accurate forecast of future needs is another means to prevent costly spot purchases. With reliable data, a mill can project future ingredient needs and plan contracts against the outlook for market volatility. Timely position reporting gives mills visibility into their risk and their exposure against the market.

Mills can solve major inventory visibility and tracking issues by having one connected system that contains all data in one place and is accessible in real time. These digital systems are replacing common manual systems that are wasting time and money.

PRICE AND COST VISIBILITY

Clear and accessible data gives you a strong understanding of ingredient costs and aids projections of future ingredient costs, allowing for timely and frequent price adjustments. Consider how your approach to price and cost would change with key data at your fingertips.

Ingredient prices can drop faster than actual costs. Remember that in a bear market the market prices of ingredients will drop faster than your actual ingredient costs. This may require you to drag prices. You don't want to be flying blind on ingredient costs and end up pricing below the actual cost of your products.

Excel® can take you only so far. Because markets change all the time, you can benefit from repricing that keeps up with the markets. The best way to price frequently is through an integrated system between formulation, pricing, and your ERP system.

Have a system to capture value. Your business works hard to find savings, and you can't create more margin if you're passing all those savings on to your customer. With a pricing tool that allows you to store these additional savings and include them within your price build-up, those hard earned savings make it to your P&L.

Know your actual manufacturing costs and include them within your price build-up of products. Too many businesses use an average number that gets updated once or twice a year. The variances between the average number and the actual can be significant. Having tools that can model out your expected manufacturing costs can be a huge win, if you can then take those numbers and include them within your price build-up.

Recognize profitable customers. By knowing the cost to serve each customer, you can identify which accounts are profitable and which are not. You can then account for that within your price build-up. Digital pricing tools allow you to easily conduct margin analysis, leading to efficient management of price levels and improved margins.

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REDUCED MANUFACTURING COSTS

Companies that provide digital solutions to feed mills retain vast amounts of production data, which enables them to determine optimum mill utilization. In effect, they can set the bar for model plant performance, enabling mills to benchmark their own performance against it.

When mills compare themselves to model performance, they recognize how to gain greater cost and production efficiencies. The more frequently a mill conducts this type of assessment, the better it can uncover variances and respond to them. Even small improvements to equipment or production lines can have a significant impact on energy costs and product quality, and create more room for margins.

MARGIN AWAITS

This paper makes a case for capturing margin potential that already exists within your feed mill by implementing a digital software solution. Our own experience indicates that digital technology can remove waste and cut costs significantly when it creates efficiencies across all mill functions.

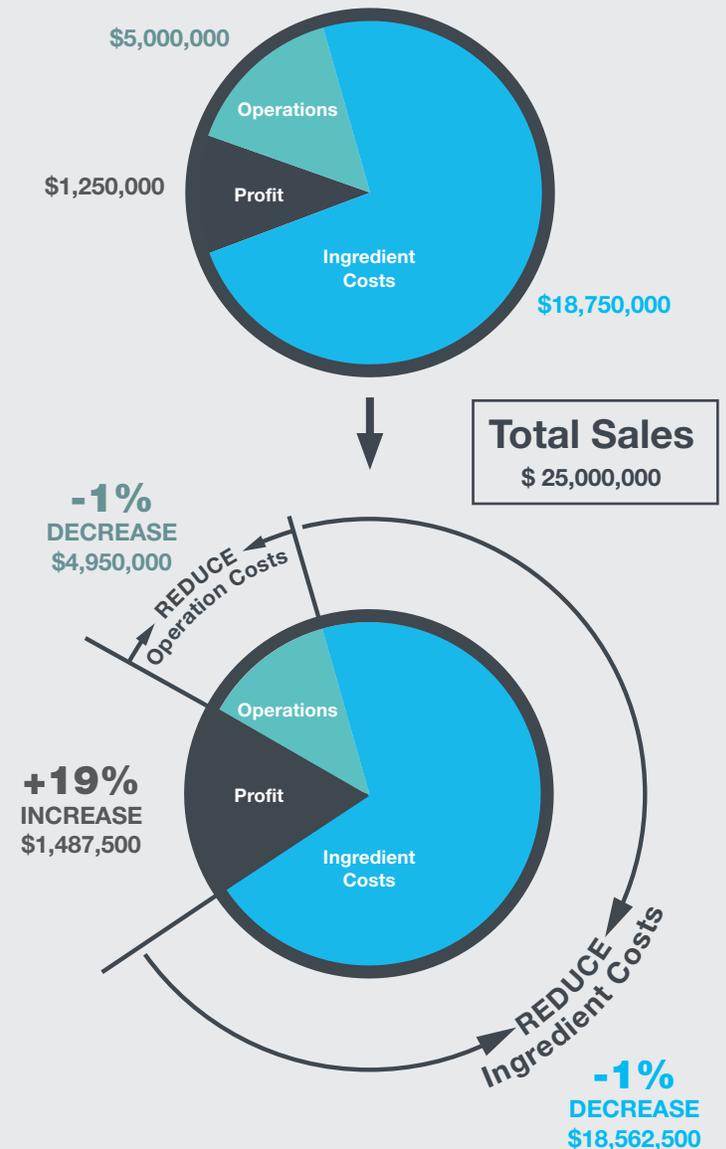
By connecting formulation, purchasing, inventory management, manufacturing, financials and other critical functions, a connected digital solution provides a big-picture view while also allowing you to analyze detailed data for improved performance, increased efficiencies and more margin.

If you have any questions on how to start thinking about implementing a fully connected digital solution for mill operations, call us. We're here to help.



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CHECKLIST FOR DECREASING COSTS

The more you can achieve, the more you can increase margins.

- ✓ Accurate inventory tracking
- ✓ Timely ingredient and nutrient updates
- ✓ Optimum supplier purchasing
- ✓ Real-time margin tracking
- ✓ Frequent reformulations
- ✓ Timely price updates
- ✓ Reduced labor on manual processes
- ✓ Optimized mill performances